Fidelity Investments
Global Fixed: Lehman Aggregate Benchmark

For the month of: August 2006

Manager Performance Calculations

** Annualized returns*

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Fidelity	1.50%	3.15%	2.67%	n/a	n/a
Lehman Aggregate	1.53%	3.12%	1.71%		

Performance Attribution & Strategy Comments

After 17 straight hikes the Federal Reserve decided not to raise interest rates at their August 8th meeting for the first time in more than two years. Economic growth has moderated but the Fed stated that some inflation risks still remain, leaving the door open for possible rate hikes in the future. The debate now centers on whether the economy will slow enough to fall into recession. Release of the FOMC meeting minutes at the end of the month led investors to believe the Fed will not raise rates at the next meeting, scheduled for Sept. 20th. Federal Funds Futures currently predict only an 18% chance of a rate increase.

The jobs report for August met both economists' forecasts and Wall Street's best hopes by showing an economy stellar enough to add jobs but not hot enough to fuel inflation. Employers added 128,000 jobs last month, up from a revised 121,000 from the prior month and slightly ahead of the forecasted 125,000. On the inflation front, the Consumer Price Index rose 0.4% after a 0.2% gain for last month while the more closely watched "Core" Consumer Price Index, which strips out volatile food and energy prices, showed signs of softening by climbing 0.2%, matching expectations while breaking a four month string of 0.3% increases. Retail sales, meanwhile, came back strong after a weak showing in the prior month. Overall retail sales jumped 1.4% compared to a revised 0.4% dip from last month and the predicted 0.8% rise. The ISM Manufacturing Index showed a surprise decline by falling to 54.5 in August, which was short of the expected reading of 55 and July's 54.7. Any reading above 50 indicates growth in the manufacturing sector. The ISM Index has held above this level for four years.

The Lehman Brothers Aggregate Index closed up 1.53% in August, while all spread sectors beat their same duration Treasury securities. The Credit sector had a strong month as the market interpreted the latest FOMC minutes as proof of a lasting pause in the Fed's interest rate policy. Within the ABS market, strong technicals dominated, particularly within HEL's, keeping spreads across the capital structure near historically tight levels, while MBS benefited from steady overseas buying and surprisingly strong demand from domestic banks.

The portfolio slightly underperformed the benchmark for the month. Detracting from returns was the portfolio's underweight positions to Agencies and MBS pass-throughs, both of which performed well versus their same duration Treasury securities. Adding to performance was the portfolio's allocation to High Yield CMBS, which outperformed the Lehman Aggregate Index.

Organizational/Personnel Changes

None

Account Turnover

Gained:	Number of Accounts:	0	Total Market Value ($m):	$	-
Lost:	Number of Accounts:	0	Total Market Value ($m):	$	-
	Reason(s):				

Manager Style Summary

Fidelity manages a customized portfolio for PERSI, which falls outside of their traditional Core Plus product. The primary difference is the separate account structure of the 'plus' sectors, which include High Yield, Emerging Market Debt and High Yield Commercial Mortgage Backed Securities. This portfolio is expected to be more volatile than the traditional underlying product due to the tactical and concentrated nature of the 'plus' sectors.

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Portfolio Guideline Compliance — August 2006

Portfolio Guideline:	Leh Aggr	Fidelity	Min	Max	Compliance
B2a. Sector Allocations					
North America					
Governments		**32%**	0%	100%	**ok**
MBS & ABS		**39%**	0%	60%	**ok**
Investment Grade Corporates		**18%**	0%	100%	**ok**
High Yield		**0%**	0%	40%	**ok**
High Yield CMBS		**10%**	0%	20%	**ok**
Non-US					
Emerging Market Debt		**0%**	0%	20%	**ok**
Investment Grade		**0%**	0%	40%	**ok**
B2a. Quality Allocations: Below Investment Grade					
U.S.		**6%**	0%	50%	**ok**
Non-$ Denominated		**0%**	0%	20%	**ok**
B2b. Portfolio Characteristics					
Effective Duration	**4.48**	**4.29**	3.00	7.00	**ok**
Effective Convexity	**-0.12**	**-0.10**	-0.70	0.70	**ok**
Coupon	**5.32**	**4.67**	3.00	9.00	**ok**
Current Yield	**5.36**	**4.61**	3.00	9.00	**ok**
Yield to Maturity	**5.40**	**5.28**	3.00	9.00	**ok**
Number of holdings		**565**	150	400	
B2c. Credit Quality: Issues below Baa3 & BBB-/A2 and P2		**6%**	0%	50%	**ok**
B2d. Derivatives:					
Original futures margin & option premiums		**0%**	0%	5%	**ok**
Short options positions hedged w/cash, cash equiv, current holdings or other positions					**ok**
B2e. Commodities:		**0%**	0%	5%	**ok**
B3a. Allocation to securities of any corporate issuer		**1%**	0%	5%	**ok**
B3b. Foreign currency forward contracts					
i. Sector allocations above apply to currency exposure					**ok**
ii. Aggregate forward exposure w/any single counterpart		**0%**	0%	25%	**ok**
v. Max value of forward w/any single counterparty		**0%**	0%	30%	**ok**
E2. Annual Turnover (including mortgage rolls)		**264%**	150%	450%	**ok**
The portfolio is in compliance with all other aspects of the Portfolio Guidelines				☑ Yes	☐ No

Manager Explanations for Deviations from Portfolio Guidelines

There were no deviations.